

# Multifamily Business Information Presentation

Updated January 2020

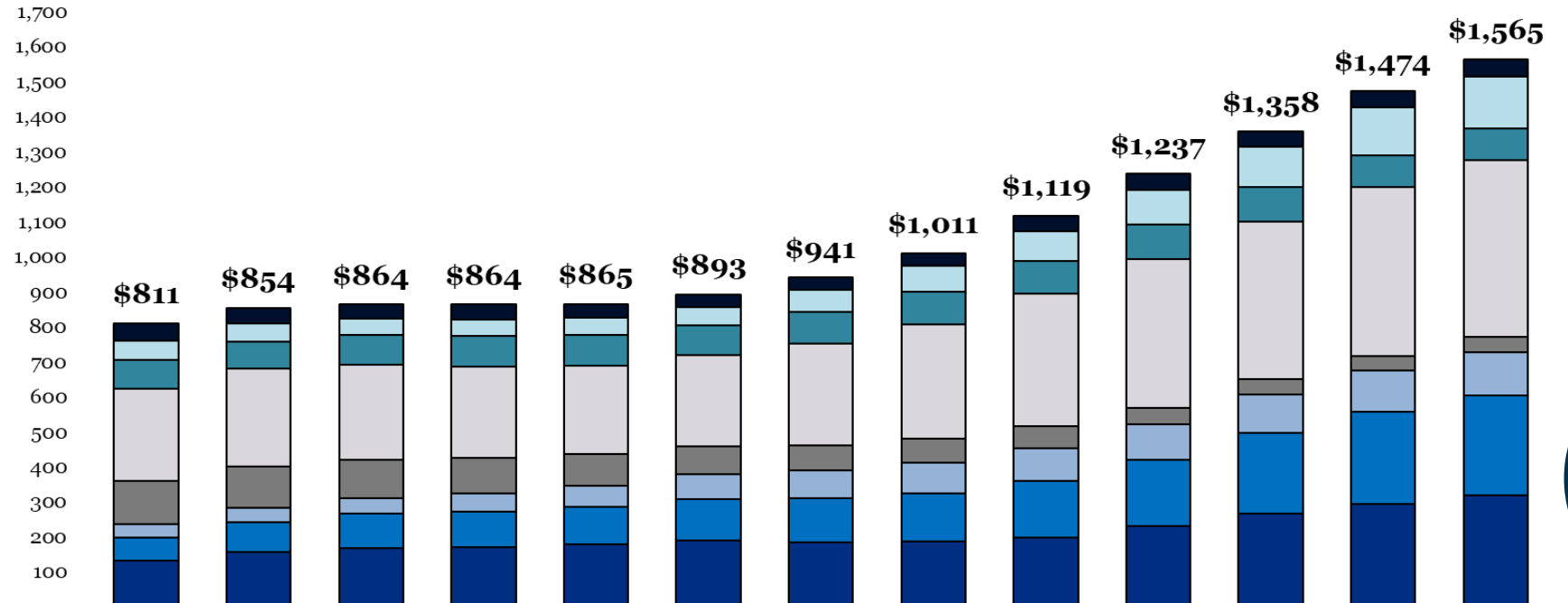


# Multifamily Debt Outstanding (MDO) by Holders of Credit Risk



Fannie Mae has continued to guarantee approximately 20% of Multifamily MDO in recent years

Total \$ in Billions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Q3 2019
Other	50	44	41	43	39	36	36	37	45	46	44	48	50
Life Insurance Companies	56	52	47	46	48	51	62	75	86	99	115	136	147
State & Local Credit Agencies	83	76	83	90	89	87	91	91	92	97	98	91	90
Banks & Thrifts	261	280	271	258	251	259	290	327	379	425	451	482	506
CMBS	126	118	112	103	91	80	71	68	62	48	43	43	44
Ginnie Mae	38	39	44	52	60	71	82	90	94	99	109	118	123
Freddie Mac	67	88	98	100	107	119	124	135	160	191	231	262	286
Fannie Mae	132	156	168	172	179	190	185	189	200	231	266	295	319
<b>Total</b>	<b>811</b>	<b>854</b>	<b>864</b>	<b>864</b>	<b>865</b>	<b>893</b>	<b>941</b>	<b>1,011</b>	<b>1,119</b>	<b>1,237</b>	<b>1,358</b>	<b>1,474</b>	<b>1,565</b>

**Fannie Mae's Share of MF MDO**

**16% 18% 19% 20% 21% 21% 20% 19% 18% 19% 20% 21% 20%**

GSEs  
Guarantee 38%  
of MF MDO  
FNM: 20%  
FRE: 18%

Source: Federal Reserve

**Notes:**

- Numbers may not sum due to rounding
- Data based on information available at time of publication

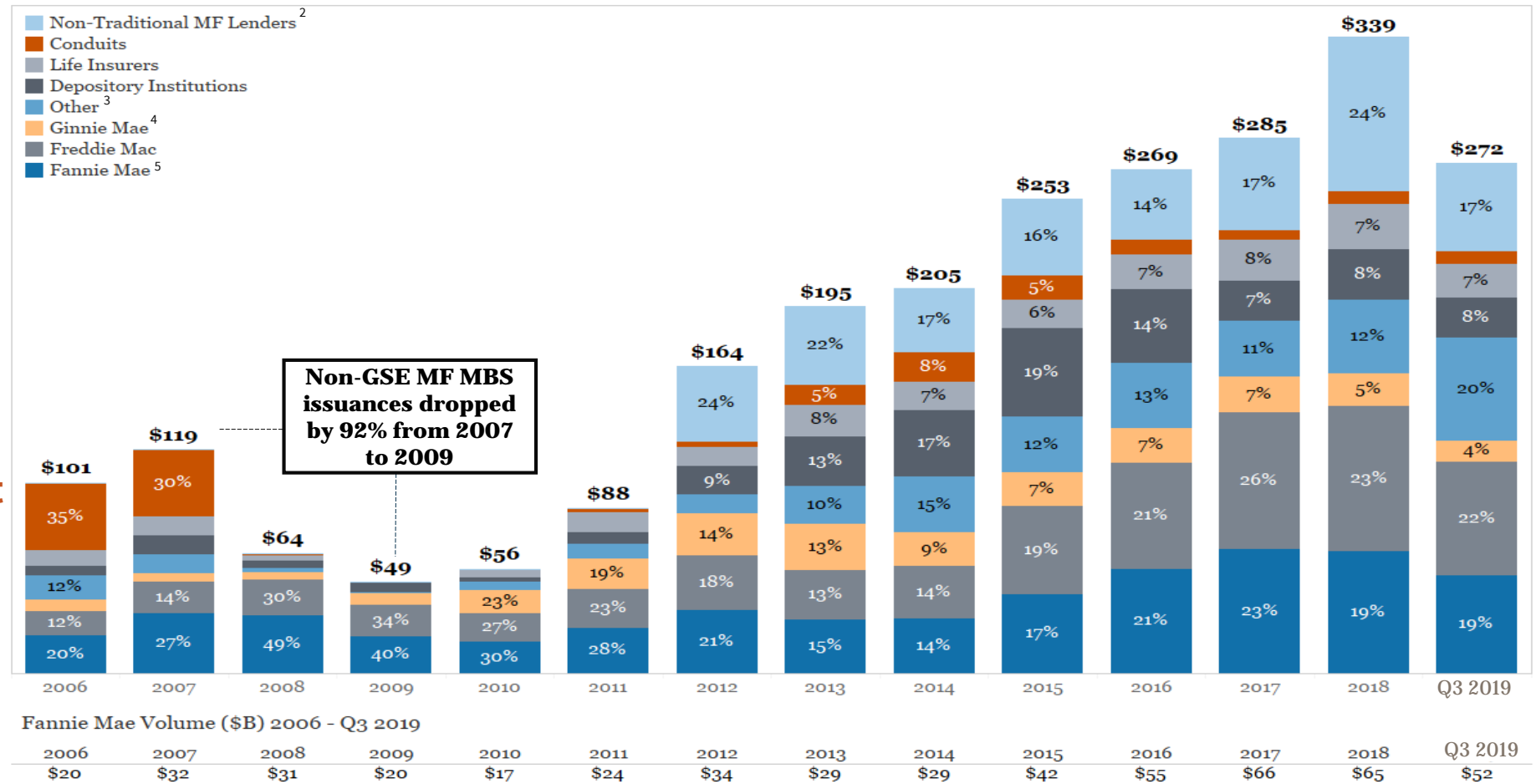


# Estimated Competitive Multifamily Market Acquisitions by Participant<sup>1</sup>

Total \$ in Billions



Diversified participation exists in the multifamily market today



Source: American Council of Life Insurers (ACLI), FDIC, Trepp, Mortgage Bankers Association & Fannie Mae Multifamily Economic Research Group

**Notes:**

<sup>1</sup> Estimated competitive market size is Fannie Mae's internal estimate of multifamily originations activity.

<sup>2</sup> Non-Traditional MF Lenders are non-institutional lenders that generate 1-2 multifamily loans a year with a typical size of less than \$1M.

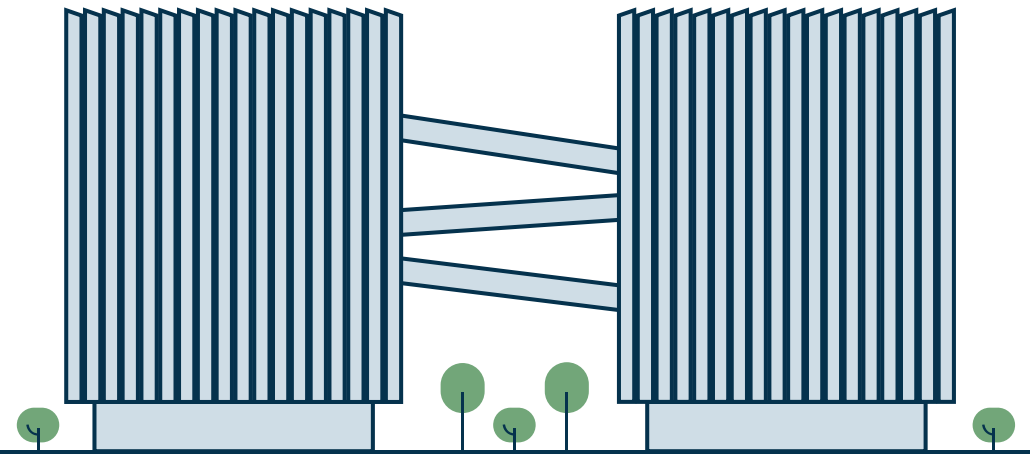
<sup>3</sup> Other includes state and local credit agencies, FHLBs and other financial institutions.

<sup>4</sup> Loans securitized by Ginnie Mae include non-dedicated multifamily housing (e.g. healthcare and new construction.)

<sup>5</sup> Excludes purchases of loans from others' portfolios and Treasury HFA New Issue Bond program volume in 2009 and 2010, therefore amounts may not tie to Fannie Mae 10-Qs or 10-Ks.



# Fannie Mae Acquisitions – Consistent Provider of Liquidity and Affordability to the Multifamily Debt Market



# Fannie Mae Multifamily Acquisitions by Asset Class



Fannie Mae serves many sectors of the multifamily housing market

Total \$ in Billions

Manufactured Housing
Seniors Housing
Student Housing
Conventional & Coop

Acquisition Year

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Manufactured Housing	\$1.0	\$1.1	\$0.5	\$0.5	\$0.9	\$1.0	\$0.5	\$0.8	\$3.0	\$1.9	\$2.9	\$2.5
Seniors Housing	2.1	1.0	0.6	1.4	1.2	1.6	1.5	2.7	1.5	5.5	2.3	3.1
Student Housing	0.4	0.6	0.2	0.5	0.7	0.5	0.8	1.5	2.5	3.8	2.7	2.7
Conventional & Coop	31.5	17.2	15.5	22.0	30.9	25.7	26.1	37.3	48.2	54.8	57.4	61.9
<b>Total Multifamily Acquisitions<sup>1</sup></b>	<b>\$35</b>	<b>\$20</b>	<b>\$17</b>	<b>\$24</b>	<b>\$34</b>	<b>\$29</b>	<b>\$29</b>	<b>\$42</b>	<b>\$55</b>	<b>\$66</b>	<b>\$65</b>	<b>\$70</b>

Total Multifamily Acquisitions<sup>1</sup>

## Additional Loan Sectors Included in Total Acquisitions

Multifamily Affordable Housing <sup>2</sup>
Small Balance Loans <sup>3,4</sup>
5-50 Units <sup>4</sup>
Supplemental <sup>5</sup>
Green
Structured

Multifamily Affordable Housing <sup>2</sup>	\$1.1	\$0.8	\$2.3	\$3.8	\$2.3	\$2.6	\$3.0	\$4.3	\$5.4	\$6.0	\$7.2
Small Balance Loans <sup>3,4</sup>	3.8	3.8	4.4	5.5	4.4	2.9	2.9	3.1	3.4	3.0	4.1
5-50 Units <sup>4</sup>	1.4	1.4	1.5	1.9	1.5	0.8	1.0	1.3	1.7	1.7	2.6
Supplemental <sup>5</sup>	0.3	0.2	0.3	0.6	0.7	0.9	1.4	1.5	1.8	1.3	1.2
Green	N/A	N/A	N/A	0.06	0.06	0.02	0.2	3.6	27.8	20.1	22.8
Structured	3.4	0.8	2.0	1.8	1.9	1.5	3.5	4.5	10.3	9.5	8.6

**Notes:**

<sup>1</sup> Excludes \$1 billion and \$391 million from the Treasury HFA New Issue Bond program for 2010 and 2009, respectively, and a transaction backed by a pool of single-family rental properties in 2017 totaling \$945 million.

<sup>2</sup> Financing for rent-restricted properties and properties receiving other federal and state subsidies. Excludes Treasury HFA New Issue Bond Program.

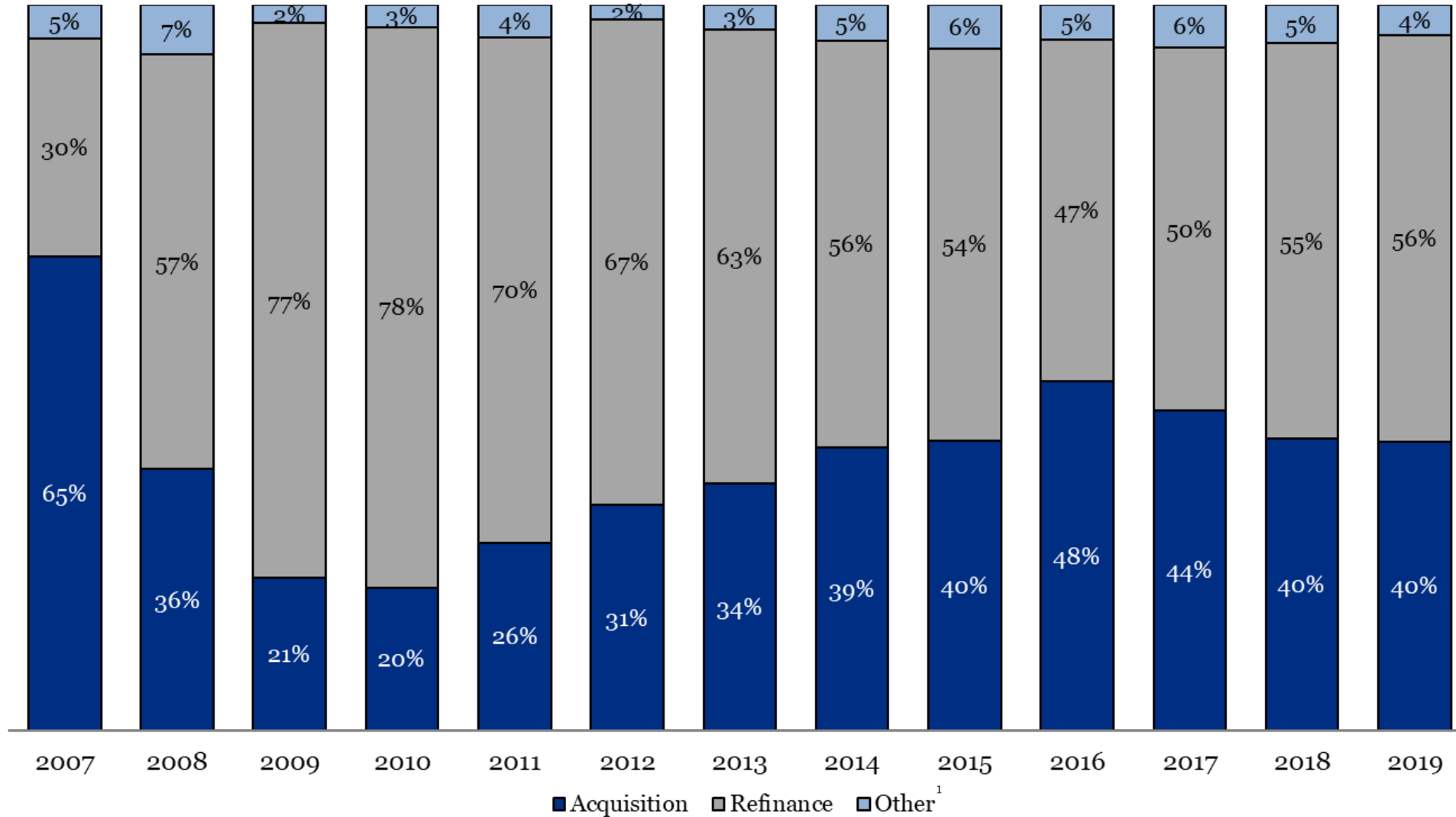
<sup>3</sup> Loans up to \$6 million.

<sup>4</sup> Combined population of Small balance and 5-50 units was \$4.8B in 2019, \$4.3B in 2018, \$4.9B in 2017, and \$4.4B in 2016.

<sup>5</sup> Loans that are second, third, or fourth liens on a property.



# Fannie Mae Multifamily Acquisitions by Financing Type



**Fannie Mae Multifamily business volume continues to be a balanced mixture of acquisitions and refinances**

Note:

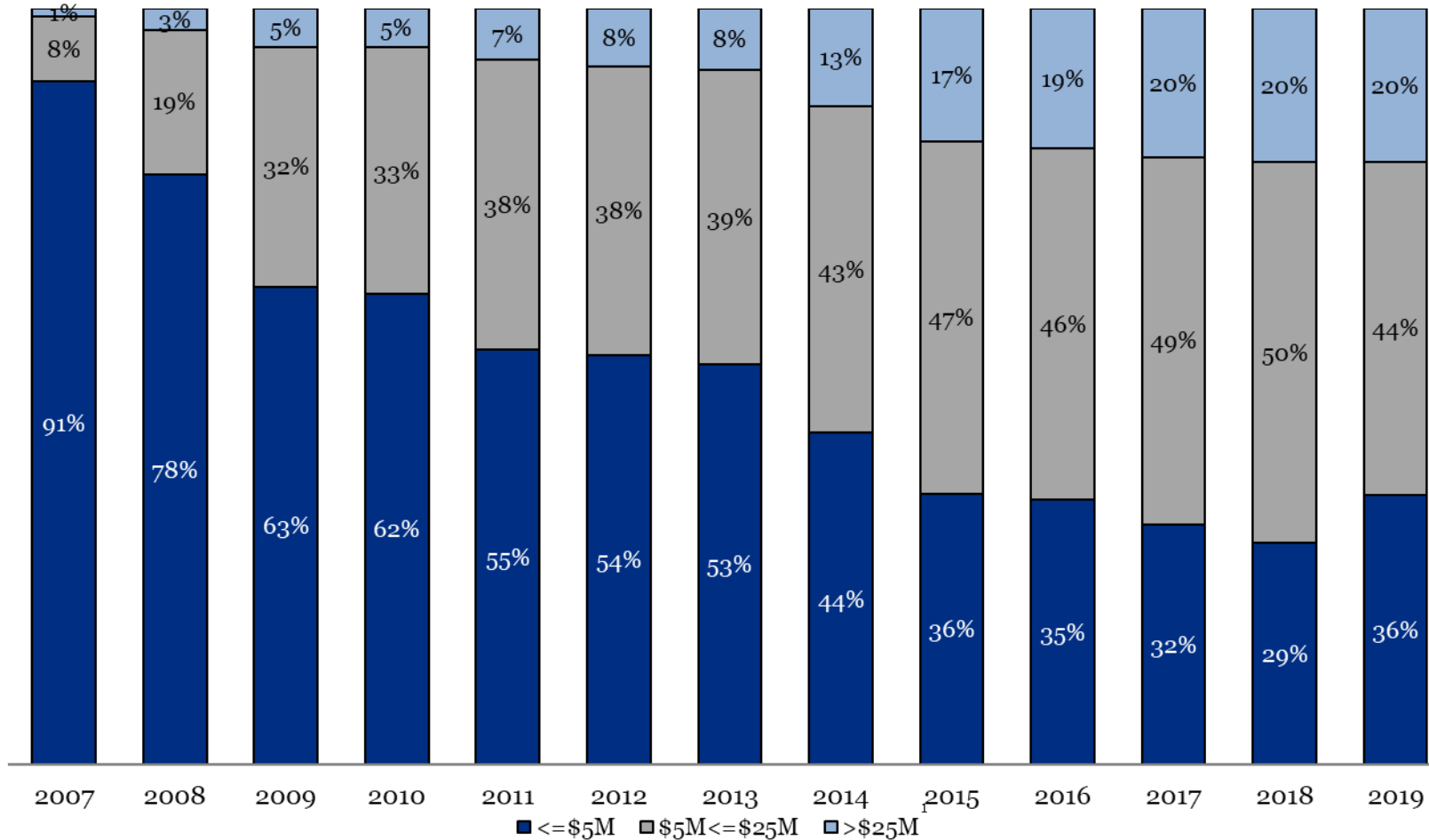
<sup>1</sup> Other financing types include supplemental financing on existing properties and construction take-outs. Construction take-out refers to the permanent debt on a newly constructed property where Fannie Mae did not provide construction financing.

Source: Fannie Mae



# Fannie Mae Multifamily Acquisitions by Loan Size

(Based on Loan Count)



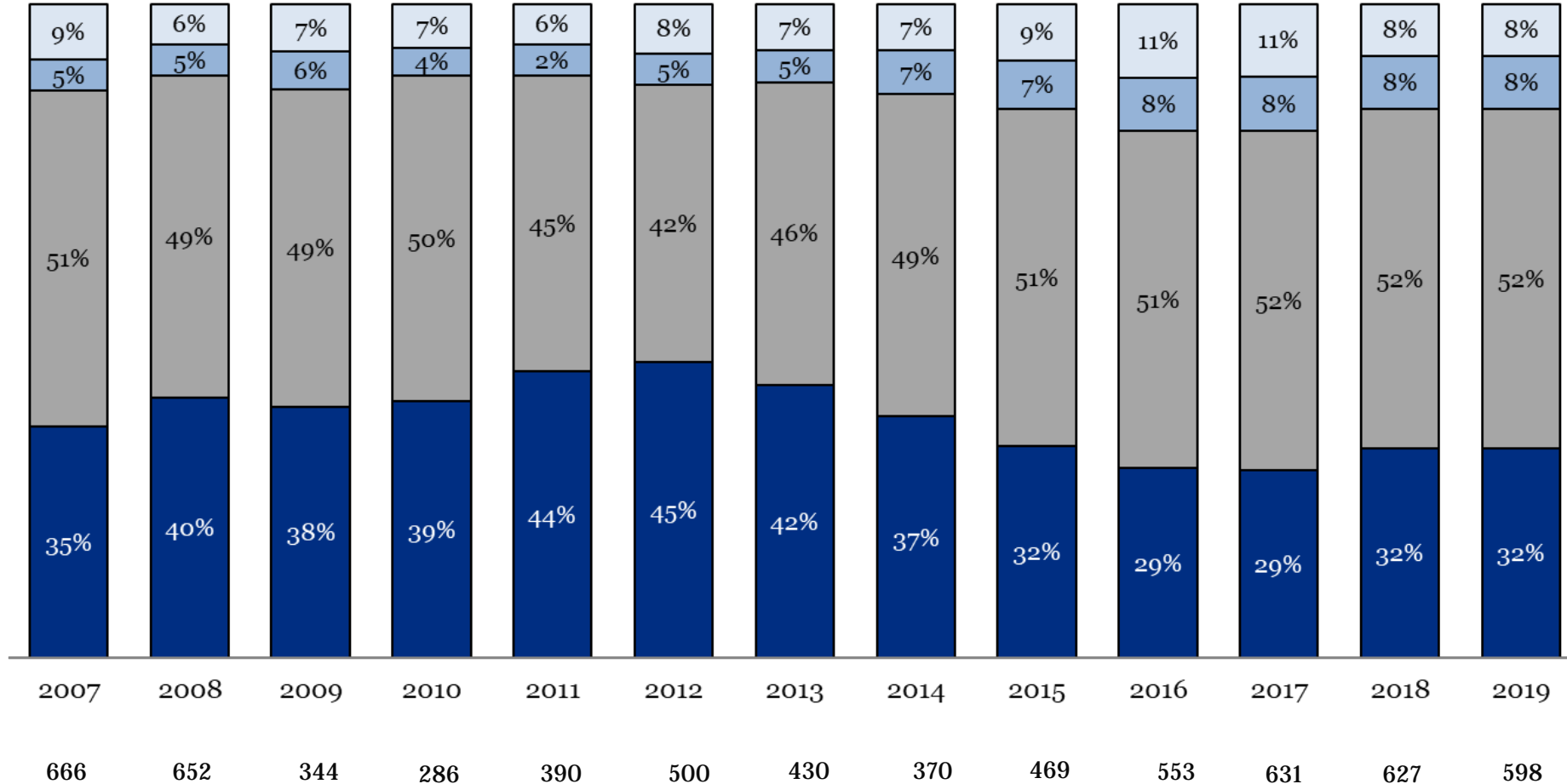
**Fannie Mae provides financing to diverse multifamily market segments with varying loan sizes**



# Fannie Mae Multifamily Acquisitions by Area Median Income (AMI)

Fannie Mae's ability to serve a variety of income segments is a key component of serving across the multifamily market

■ 60% AMI or less   ■ >60%-100% AMI   ■ >100%-120% AMI   □ >120% AMI



Housing Goals  
Eligible Units  
000s<sup>1</sup>

**The substantial majority of multifamily units financed by Fannie Mae continue to be affordable to families at or below 120% of the area median income**

Source: Fannie Mae, based on Housing Goals methodology

Note:

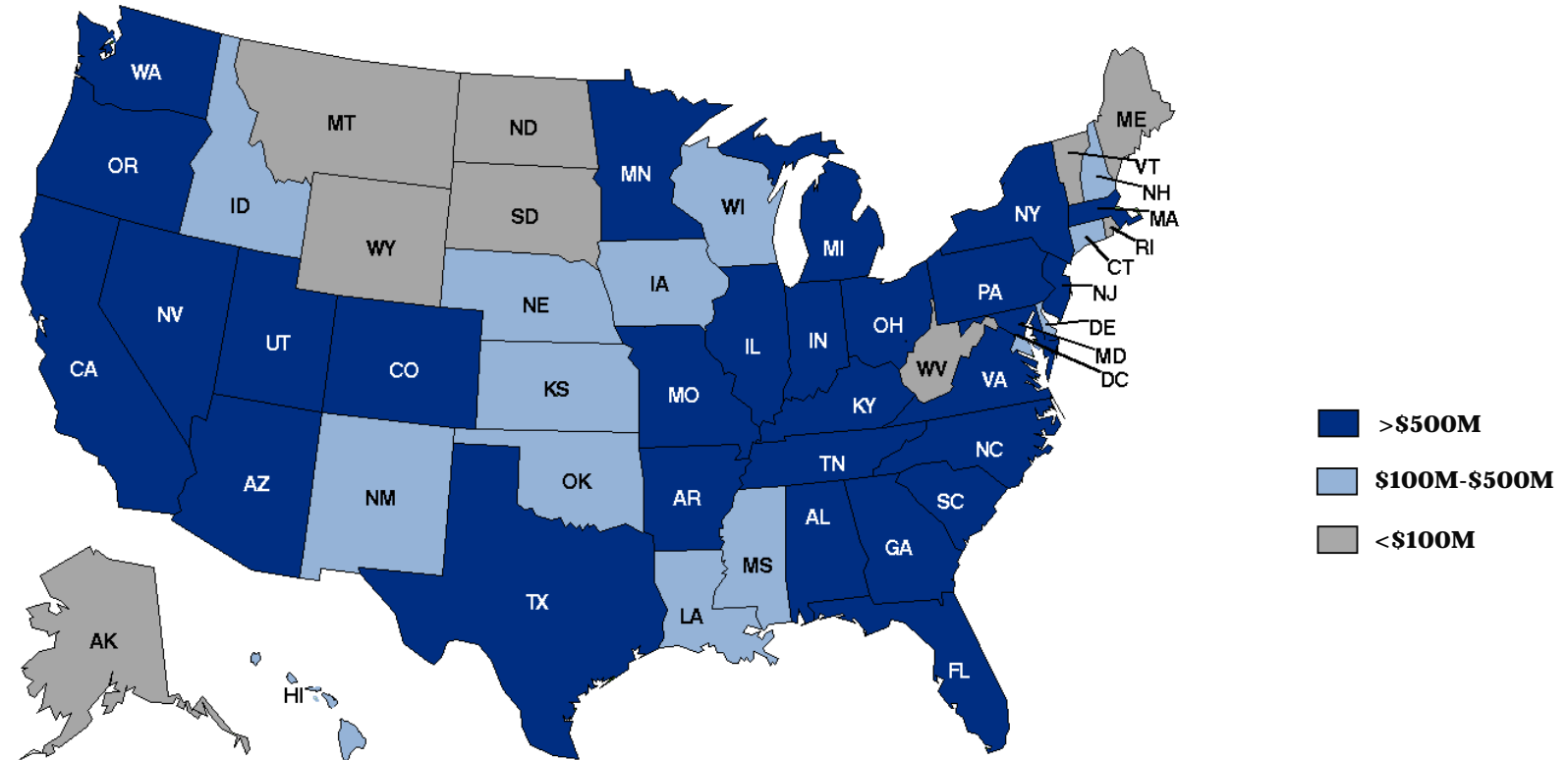
<sup>1</sup> Housing Goals numbers are subject to final determination by FHFA





# Fannie Mae Multifamily Acquisitions by Region

Full Year 2019



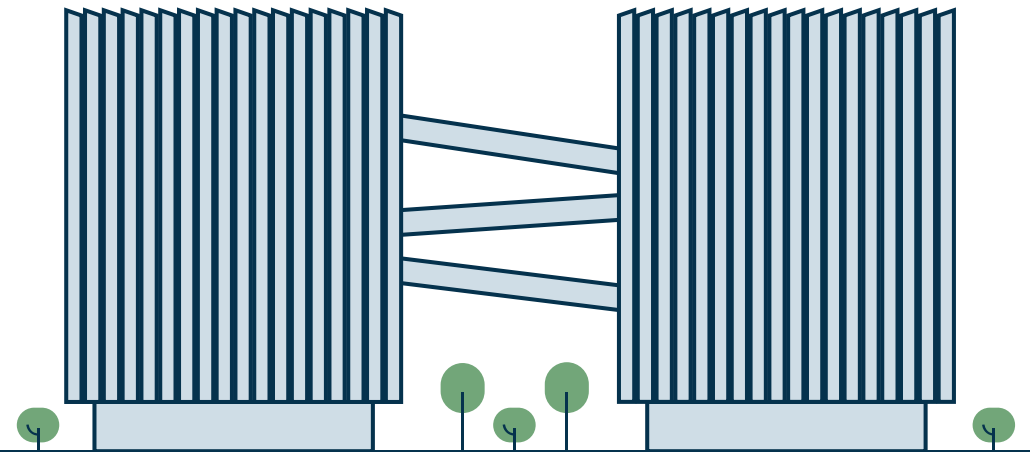
**Top 10 MSAs**

MSA	% of UPB	MSA	% of UPB
New York-Newark-Jersey City, NY-NJ-PA	9%	Houston-The Woodlands-Sugar Land, TX	3%
Los Angeles-Long Beach-Anaheim, CA	5%	Phoenix-Mesa-Scottsdale, AZ	3%
Dallas-Fort Worth-Arlington, TX	4%	Chicago-Naperville-Elgin, IL-IN-WI	2%
Washington-Arlington-Alexandria, DC-VA-MD-WV	4%	Miami-Fort Lauderdale-West Palm Beach, FL	2%
Atlanta-Sandy Springs-Roswell, GA	4%	Seattle-Tacoma-Bellevue, WA	2%

**The top 10 MSAs represented nearly 39% of full year 2019 multifamily acquisitions**



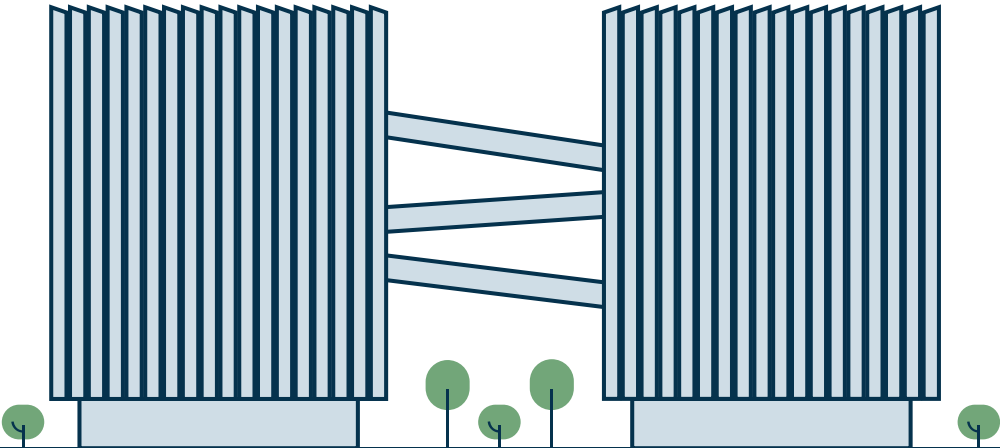
# Fannie Mae Multifamily Guaranty Book - Diversification and Balance



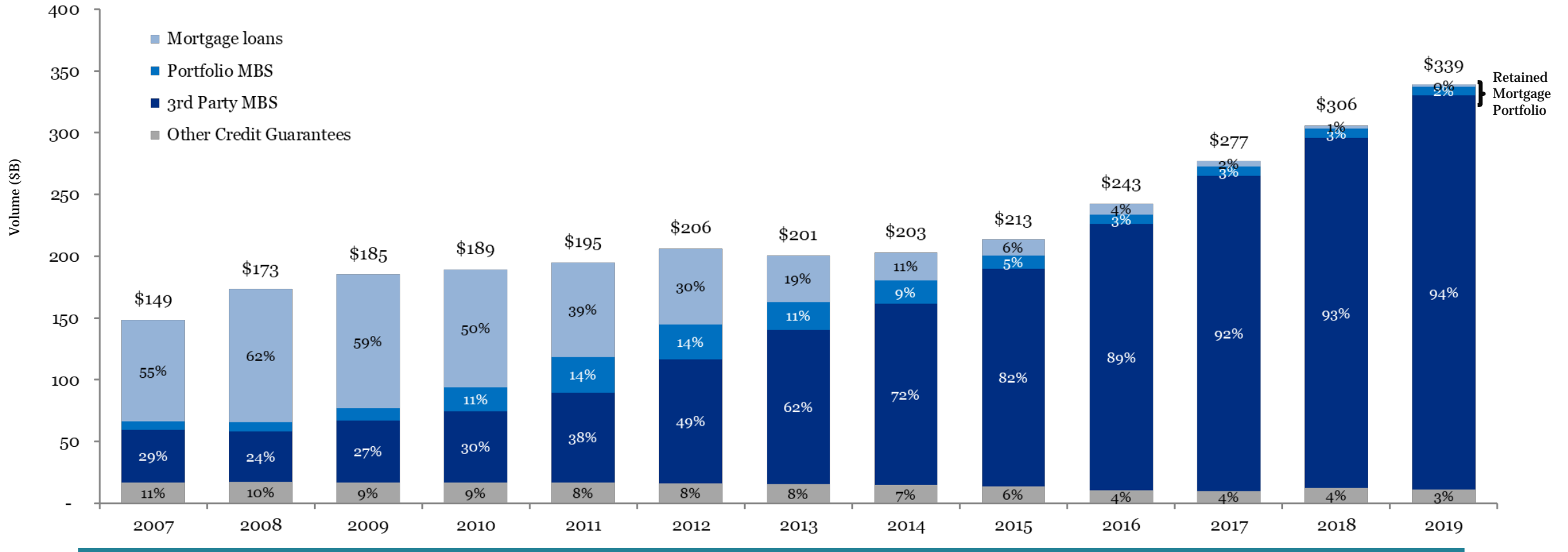




# Fannie Mae Mortgage Backed Securities



# Fannie Mae Multifamily Guaranty Book by Execution Type



**As Fannie Mae’s retained mortgage portfolio has shrunk, strong demand has continued for Multifamily MBS and structured products**

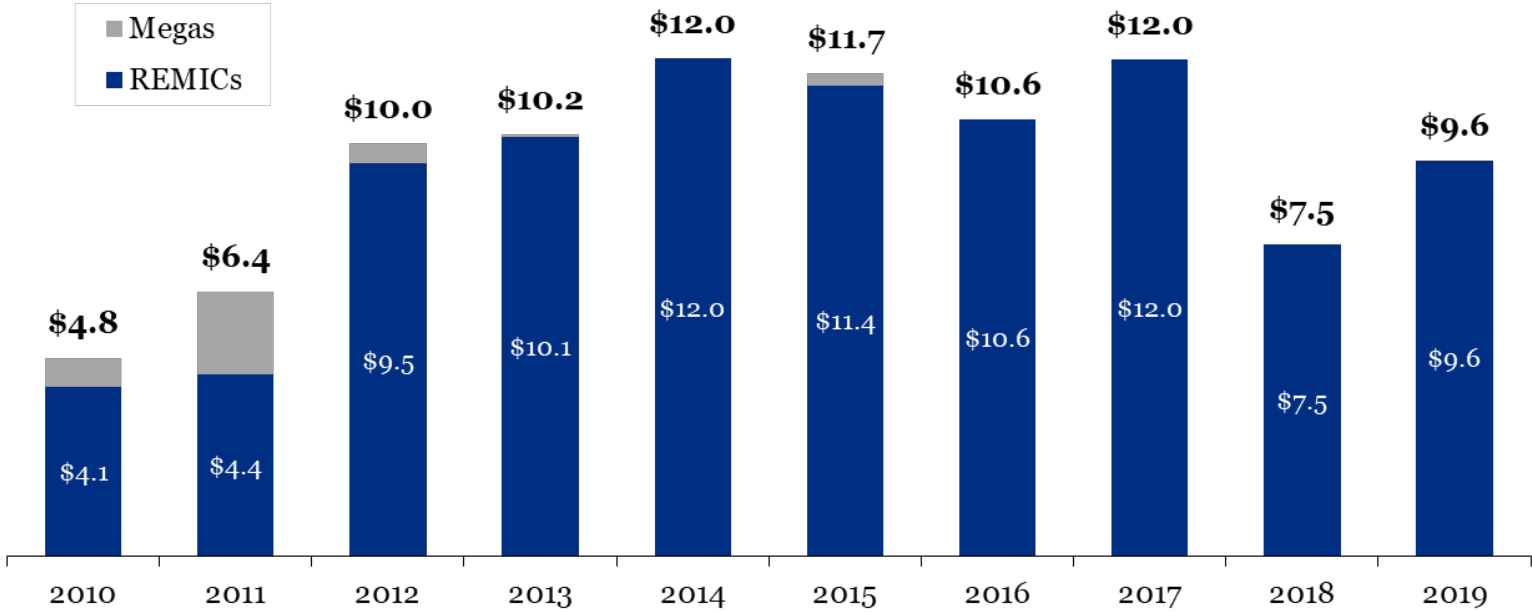
Notes:

- Numbers may not sum due to rounding
- Amounts measured at period-end



# Fannie Mae Multifamily Guaranteed Securities (GeMS) Issuance

Total \$ in Billions



\*Excludes GeMS sold in the secondary market

- Structured MF Securities created by collateral selected by Fannie Mae
- Executed via REMIC or Mega Structures
- Collateral Diversification
- Customizable Cash Flows
- Block Size & Par Pricing
- Dealer Syndicate Distribution

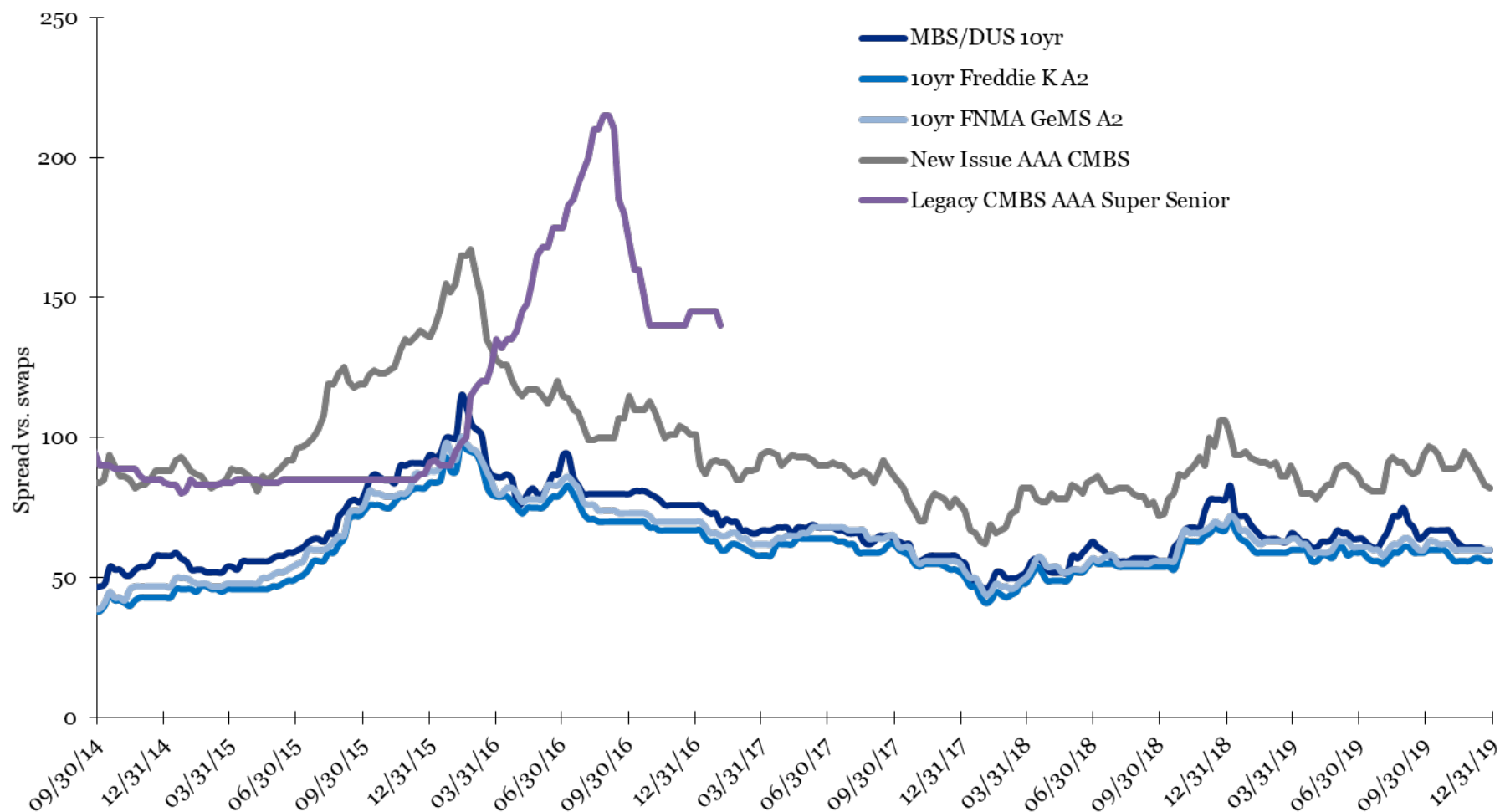
**GeMS issuance has facilitated market activity**

Note: A portion of structured securities issuances may include MBS issuances held by Fannie Mae in that same period. These do not include structured securities backed by MBS held by a third party.



# Multifamily Market Spreads

Trailing Legacy & New Issue AAA CMBS, MBS/DUS®, GeMS and Freddie K Spreads



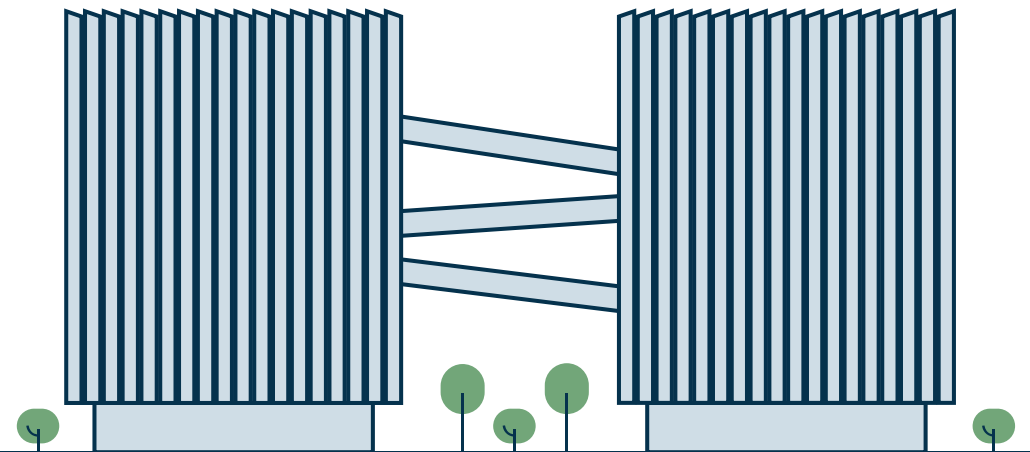
**Spreads have been tight since Q2 2016, but may remain volatile as a result of macroeconomic uncertainty**

Source: JPMorgan CMBS Weekly Datasheet





# Fannie Mae Multifamily Delegated Underwriting and Servicing (DUS<sup>®</sup>)



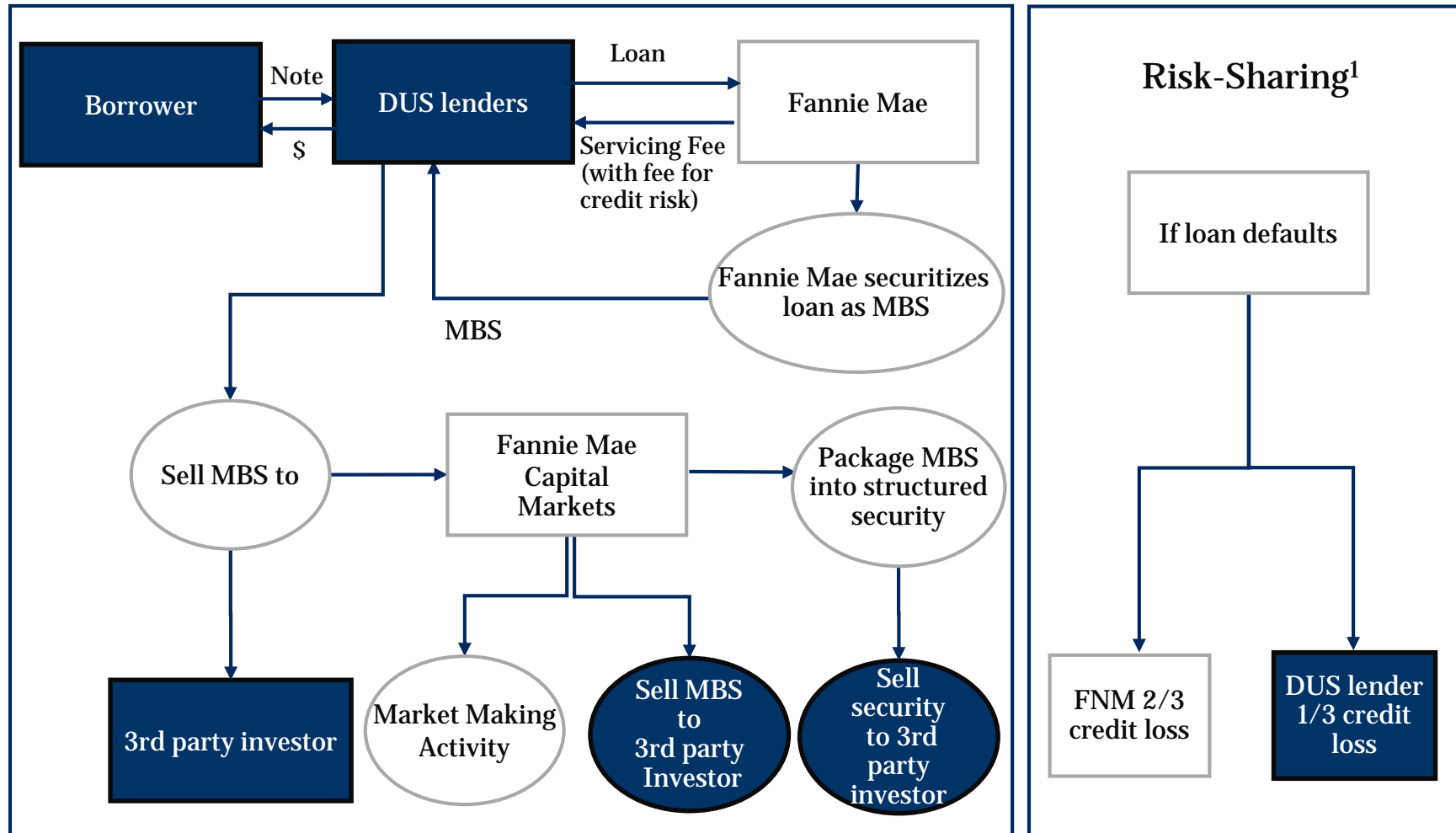
# Fannie Mae Multifamily DUS<sup>®</sup> Lenders

<b>DUS<sup>®</sup> Lenders service over 99% of Multifamily Guaranty Book</b>		
Arbor	Grandbridge	Orix
Barings	Greystone	PGIM
Bellwether	HomeStreet	PNC
Berkadia	Hunt	Regions
Capital One	JLL	Truist
CBRE	KeyBank	Walker & Dunlop
Chase	M&T	Wells Fargo
Citibank	Newmark Knight Frank	
Dougherty	NorthMarq	

**Multifamily lender base includes both large and small institutions**



# Fannie Mae Multifamily Private Capital in the DUS<sup>®</sup> Model



**Private capital is part of every Fannie Mae Multifamily transaction**

Note: Blue indicates presence of private capital  
<sup>1</sup>Based on most common risk-sharing structure



# Fannie Mae Multifamily Private Capital in the DUS<sup>®</sup> Model

	Borrower	Lender	Fannie Mae	Investor
Interests	<ul style="list-style-type: none"> <li>▪ Competitive pricing</li> <li>▪ Broad range of financing products</li> <li>▪ Standardized loan documents</li> <li>▪ Shorter timelines to loan closing</li> <li>▪ Range from individual sponsors to REITs, pension funds, etc.</li> <li>▪ Contributes 20%+ equity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Delegated authority</li> <li>▪ Consistent underwriting and servicing standards</li> <li>▪ Higher servicing fee income</li> <li>▪ 25 DUS lenders range from independents to large diversified financial institutions</li> <li>▪ Shares in approximately 1/3 of the credit losses</li> </ul>	<ul style="list-style-type: none"> <li>▪ Steady guaranty fee income</li> <li>▪ Scalable</li> <li>▪ Provides financing through all economic cycles</li> <li>▪ Shares in approximately 2/3 of the credit losses</li> </ul>	<ul style="list-style-type: none"> <li>▪ Highly-rated credit strength</li> <li>▪ Enhanced liquidity</li> <li>▪ Call (prepayment) protection</li> <li>▪ Lower spread volatility</li> <li>▪ Stable cash flows</li> </ul>

**DUS<sup>®</sup> is a unique model that leverages private capital, aligns interests through risk-sharing, and provides attractive structures to investors**



# Fannie Mae Multifamily DUS<sup>®</sup> Risk-Sharing and Delegation Model



	Borrower	DUS <sup>®</sup> Lender	Fannie Mae Multifamily	MBS Investors
<b>Origination</b>	<ul style="list-style-type: none"> <li>▪ Applies for loan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Originates the loans</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sets loan documentation and delivery protocol</li> </ul>	
<b>Underwriting &amp; Servicing</b>	<ul style="list-style-type: none"> <li>▪ Borrower and property evaluated as part of underwriting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Underwrites and services the loans in accordance with Fannie Mae standards and requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sets underwriting standards and servicing requirements</li> <li>▪ Performs quality control on underwriting and servicing</li> <li>▪ Creates Mortgage Backed Securities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rely on standard underwriting</li> <li>▪ Require periodic property performance information</li> </ul>
<b>Risk-Sharing (private capital at risk)</b>	<ul style="list-style-type: none"> <li>▪ Contributes 20%+ equity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shares in 1/3 of the credit losses<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Shares in 2/3 of the credit losses<sup>1</sup></li> </ul>	

**Fannie Mae Multifamily’s success has been achieved through its unique risk-sharing model and alignment of interests**

Note: <sup>1</sup>Example illustrates pari passu loss sharing



# Fannie Mae Multifamily DUS<sup>®</sup> Features and Benefits

Features	Benefits
<b>Industry Continuity</b>	<ul style="list-style-type: none"> <li>▪ Countercyclical stability – consistently provides access to credit throughout economic cycles</li> <li>▪ Promotes confidence that funding and liquidity will be accessible</li> </ul>
<b>Published Underwriting and Servicing Guidelines and Loan Documents</b>	<ul style="list-style-type: none"> <li>▪ Sets industry standards for multifamily underwriting and servicing best practices</li> <li>▪ Promotes standardization and transparency across all industry participants</li> <li>▪ Facilitates reliable securities disclosures</li> </ul>
<b>Delegation and Scalability</b>	<ul style="list-style-type: none"> <li>▪ Enables Fannie Mae to scale the business as industry conditions change</li> <li>▪ Improves efficiency and, therefore, lender responsiveness to customers</li> </ul>
<b>Network of Approved Lenders/ Servicers</b>	<ul style="list-style-type: none"> <li>▪ Maintains a select group of business relationships based on:               <ul style="list-style-type: none"> <li>▪ Financial strength</li> <li>▪ Extensive multifamily underwriting and servicing experience</li> <li>▪ Strong portfolio performance</li> <li>▪ Creation of quality branded product</li> </ul> </li> </ul>
<b>Risk-Sharing</b>	<ul style="list-style-type: none"> <li>▪ Borrowers, Lenders and Fannie Mae have shared interests throughout the life of the loan</li> <li>▪ Awareness of risk potential improves processes and performance of all parties</li> <li>▪ Optimizes outcomes (e.g., profitability and loss mitigation) for all participants</li> </ul>
<b>DUS Mortgage-Backed Security (DUS/MBS)</b>	<ul style="list-style-type: none"> <li>▪ Transforms a mortgage loan into a more liquid asset, which increases available funds in the financial system</li> <li>▪ Offers investors highly-rated credit strength due to Fannie Mae's guarantee of timely payment of principal and interest</li> </ul>

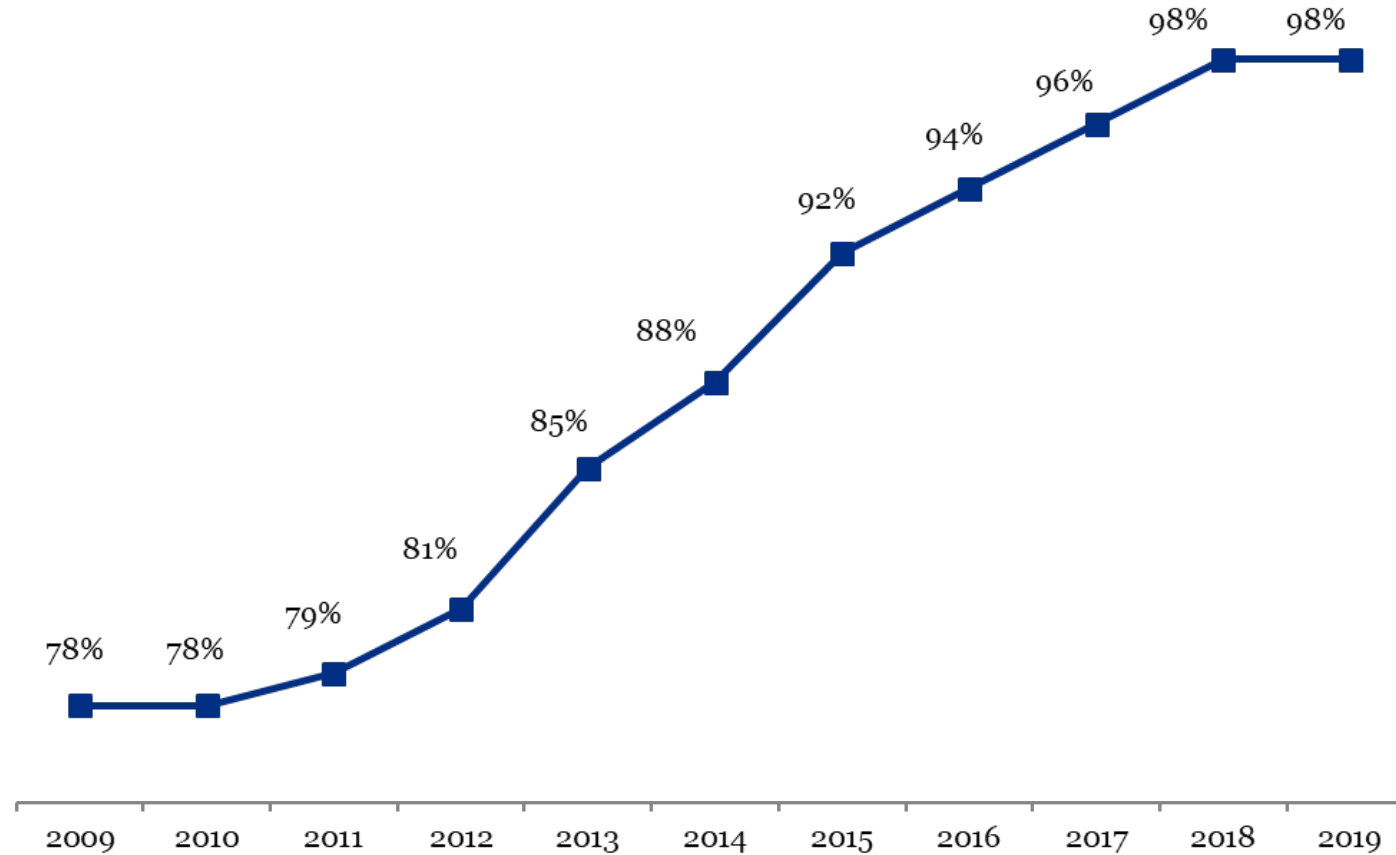
**The delegated model allows Fannie Mae to be more responsive to customers**

Note: <sup>1</sup>Example illustrates pari passu loss sharing



# Fannie Mae Multifamily DUS<sup>®</sup> Risk-Sharing

*Percent of Multifamily Guaranty Book of Business with DUS or Other Lender Risk-Sharing*



**Lenders have increasingly shared in the risk of multifamily loans delivered to Fannie Mae**

Source: Fannie Mae 10-Ks, 10-Qs and Quarterly Financial and Credit Supplements

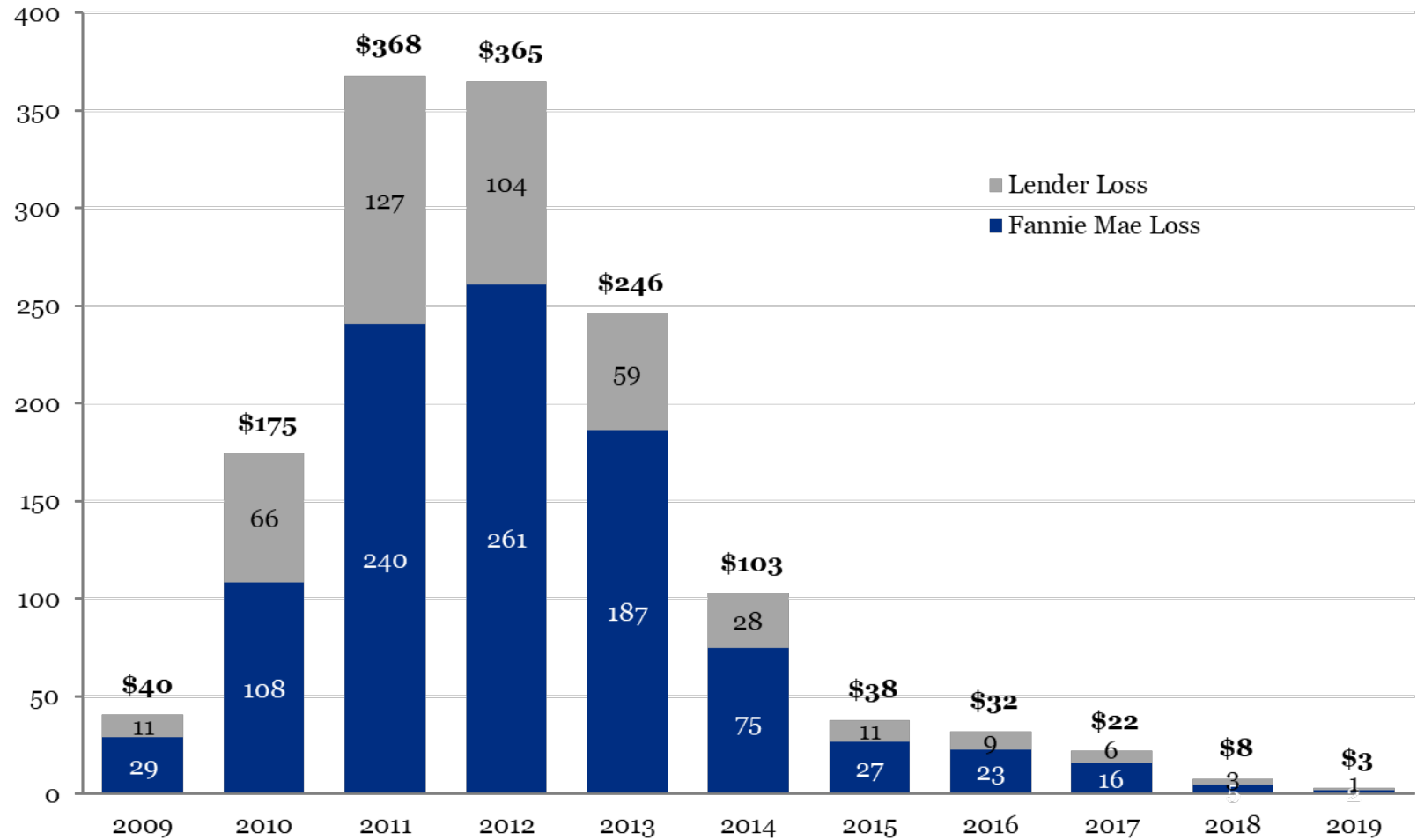


# Managing Multifamily Losses – Fannie Mae vs Lender Loss Sharing <sup>1</sup>



**Fannie Mae lender partners have assumed 31% of all losses on loans that have gone through settlement since 2007**

Total \$ in Millions



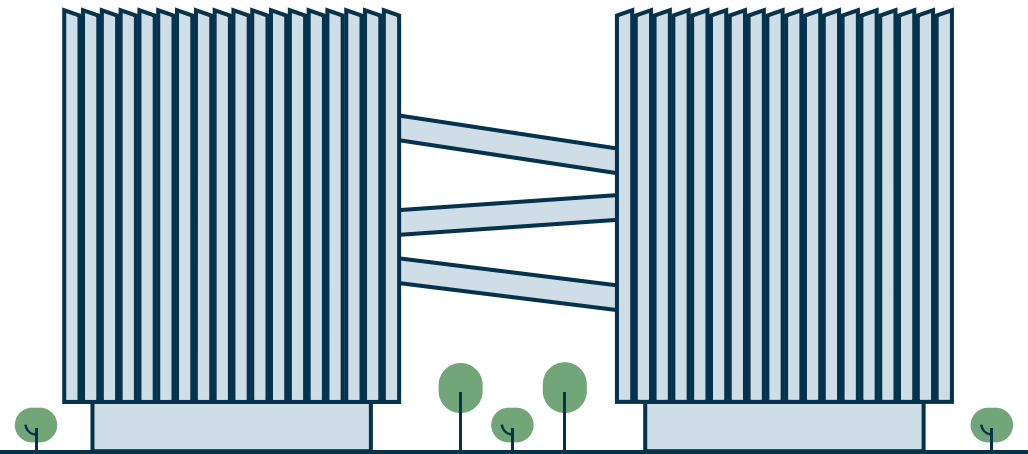
Notes:

<sup>1</sup> Amounts reflect Fannie Mae and Lender losses from loss-sharing settlements concluded during the period





# Fannie Mae Multifamily Financial Results

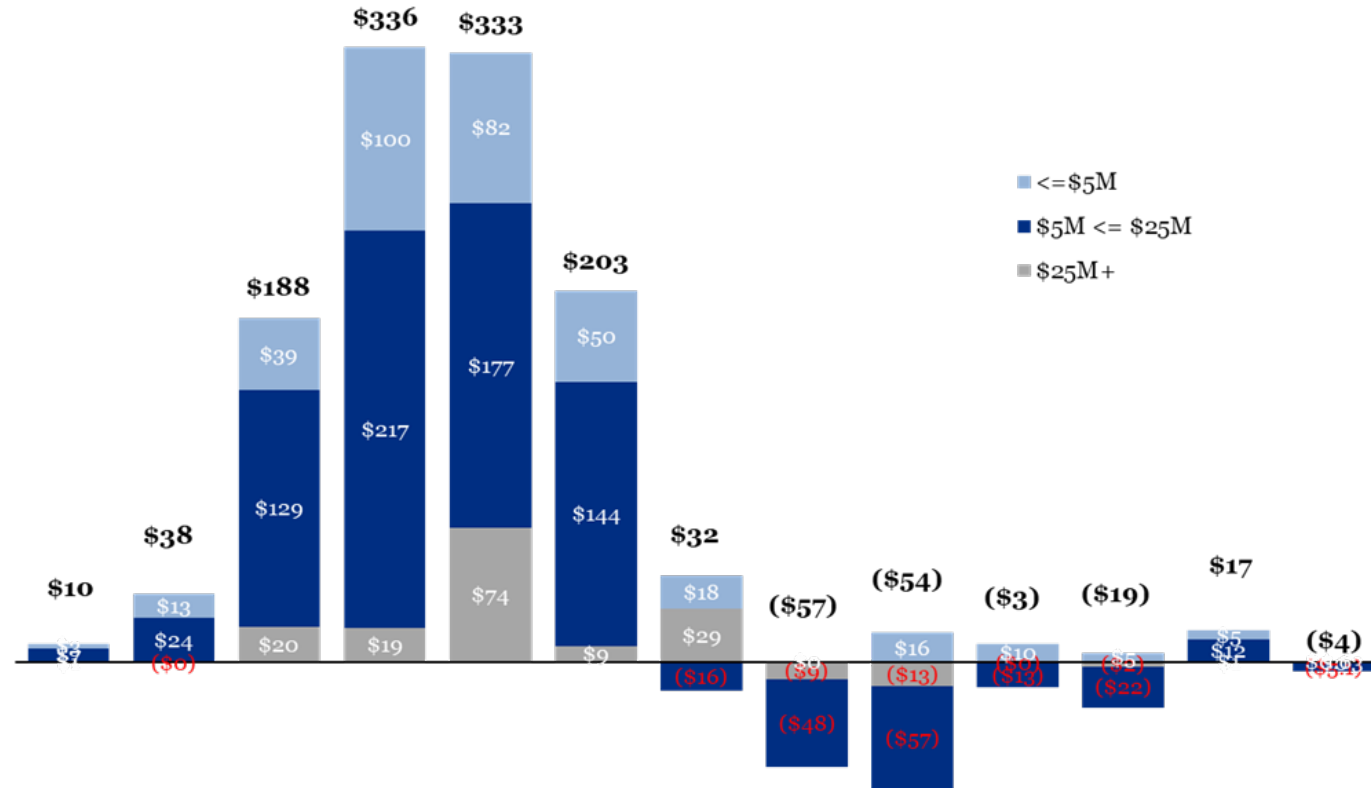


# Fannie Mae Multifamily DUS<sup>®</sup> Credit Losses (Gains) by Loan Size

Total \$ in Millions



The DUS<sup>®</sup> model drives strong credit. Credit losses have been low in recent years



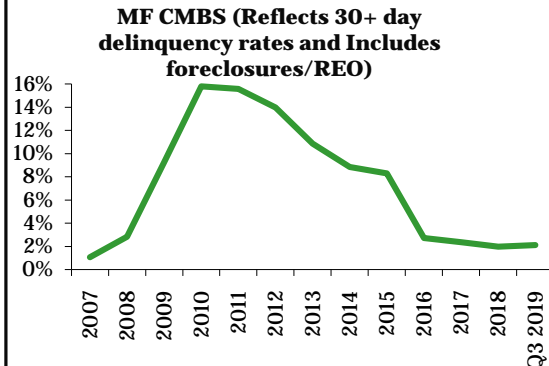
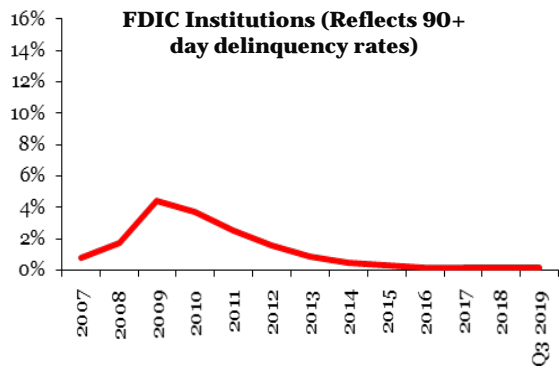
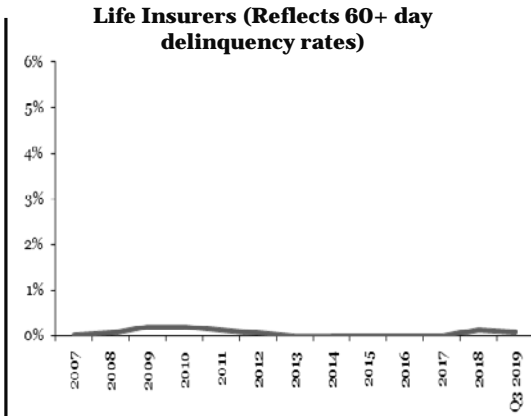
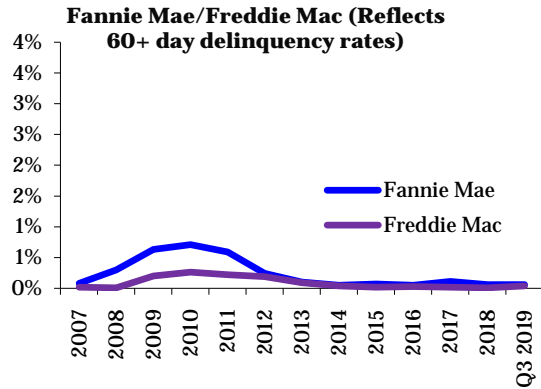
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<=\$5M	\$3	\$13	\$39	\$100	\$82	\$50	\$18	\$0	\$16	\$10	\$5	\$5	\$0.63
\$5M <= \$25M	\$7	\$24	\$129	\$217	\$177	\$144	(\$16)	(\$48)	(\$57)	(\$13)	(\$22)	\$12	(\$5.1)
\$25M+	\$1	(\$0)	\$20	\$19	\$74	\$9	\$29	(\$9)	(\$13)	(\$0)	(\$2)	\$1	\$0
Total	\$10	\$38	\$188	\$336	\$333	\$203	\$32	(\$57)	(\$54)	(\$3)	(\$19)	\$17	(\$4)

Source: Fannie Mae 10-Ks, 10-Qs and Quarterly Financial and Credit Supplements



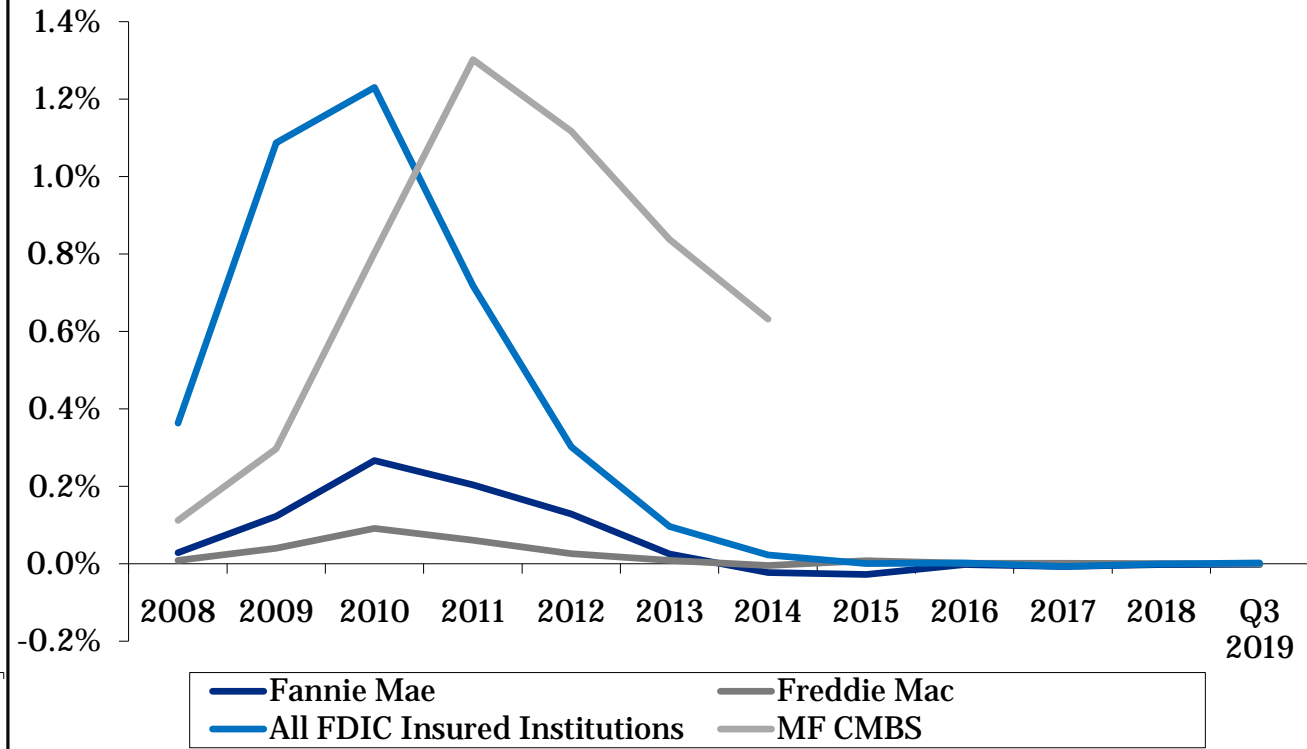
# Market Performance – Multifamily Credit Risk Management Market Spreads

## MF Delinquencies 2007 – September 2019



Market Participant	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Q3 2019
Fannie Mae	0.08%	0.30%	0.63%	0.71%	0.59%	0.24%	0.10%	0.05%	0.07%	0.05%	0.11%	0.06%	0.06%
Freddie Mac	0.02%	0.01%	0.20%	0.26%	0.22%	0.19%	0.09%	0.04%	0.02%	0.03%	0.02%	0.01%	0.04%
All FDIC Insured Institutions	0.76%	1.77%	4.43%	3.74%	2.53%	1.56%	0.83%	0.44%	0.28%	0.18%	0.15%	0.15%	0.13%
Life Insurers	0.01%	0.07%	0.19%	0.19%	0.13%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.13%	0.09%
MF CMBS with Foreclosures & REO	1.06%	2.82%	9.27%	15.80%	15.57%	13.98%	10.86%	8.85%	8.28%	2.72%	2.36%	1.98%	2.11%

## MF Credit Losses to Book 2008 – September 2019<sup>1</sup>



Market Participant	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Q3 2019
Fannie Mae	0.01%	0.03%	0.12%	0.27%	0.20%	0.13%	0.03%	-0.02%	-0.03%	0.00%	-0.01%	0.00%	0.00%
Freddie Mac	0.01%	0.01%	0.04%	0.09%	0.06%	0.03%	0.01%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%
All FDIC Insured Institutions	0.12%	0.36%	1.09%	1.23%	0.72%	0.30%	0.10%	0.02%	0.00%	0.00%	-0.01%	0.00%	0.00%
MF CMBS	0.07%	0.11%	0.30%	0.80%	1.30%	1.12%	0.84%	0.63%	N/A	N/A	N/A	N/A	N/A

**Fannie Mae has served the multifamily market broadly, maintaining sound credit performance**

Sources: Fannie Mae, FRE Volumes Summary, FDIC, American Council of Life Insurers (ACLI), Trepp

